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Chapter 10

Innovation in Luxury Fashion Businesses as a Means for the Regional Development

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ABSTRACT

The focus of this chapter is to provide scientific evidence to luxury fashion businesses for competing in a competitive global market, providing for further research opportunities of the innovation strategy. Thanks to a qualitative method, in this chapter it emerged that the innovation strategy may focus on different elements, such as products and processes according to the framework distinction. Even if the distinction between products and processes is not always clear-cut, it has several implications. In this chapter, the connection between the company and its territory permits the creation of some networks between several parties, producing a regional development: they could improve the competitiveness of the company, creating an increased advantage against its competitors.

INTRODUCTION

Considering the luxury sector as an élite phenomenon, the reference target is represented by an élite group of extra-rich people. Nevertheless, due to luxury democratization, companies operate in two different luxury levels: non-affordable luxury and affordable luxury.

This research fits into this area of study. It analyses how a strategy of innovation in terms of products and processes can offer a competitive advantage to large and medium-sized luxury fashion companies. In addition, it verifies the

role of the innovation strategy as a means for the regional development, representing a competitive advantage for all the companies operating in this context.

The particular benefits offered by its content is represented by a business model that companies could be adopted in order to manage such strategies of innovation efficiently and effectively, also for the purpose of educating customers to appreciate more innovative products.

The treatise was conducted using qualitative approach. I observed multiple internationally-recognised luxury large and medium-sized

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companies, which are characterised by a highly innovative business approach that has been handed down from generation to generation.

The literature review brought to light a lack of analyses of innovation policies in large and medium-sized luxury sector, in order to identify the impact of the company innovation strategy on the regional development.

The chapter is structured as follows. The background paragraph focuses on the main researches about the context of the luxury business (core luxury business and no-core luxury business) and the different types of luxury (non-affordable luxury and affordable luxury), as this distinction is useful for better understanding the content of the research. In this context, the innovation strategy represents one of the most relevant topic, as the benefits for both the company competitive advantage and the regional development may be so strong. The main focus of the chapter is on some issues, controversies and problems of the innovation strategy, in terms of the company competitive advantage and the regional development. The future research directions and, lastly, the conclusions of the research permit to identify the contributions of this chapter.

Background

Many researchers focused on the luxury business as a very interesting topic. Differing the luxury business according to its affordability permitted to understand the target of the luxury products (Chevalier & Mazzalovo, 2008; Giacosa, 2011; Okonkwo, 2007). In particular, non-affordable luxury is a highly exclusive luxury affordable only for high net worth individuals, as the price is very high (Tartaglia & Marinozzi, 2006) and it does not permit a democratization. This high price is justified by a combination of the high quality, the exclusive distribution and the scarce availability. The customization is particularly appreciated by the customers: limited editions or single pieces are linked to the company heritage and permit to be

part to the brand universe. Louis Vuitton, Chanel and Hermès for fashion luxury, Gaia and Moët Chandon for wines and spirits, Ferrari and Rolls Royce for car sector, Armani Hotel for travels and holidays, are great examples of non-affordable luxury. The non-affordable luxury uses an exclusive direct distribution system, as this is the most extreme form of selective distribution and favors firms that wish to differentiate their products with a policy of quality and prestige. This distribution typology permits to achieve a superior knowledge of the customer, the availability of the best and most reliable information from the market, price control, reduction of intermediation and management margins (Kapferer & Bastien, 2013; Mosca, 2010, 2014).

On the contrary, affordable luxury permits the luxury democratization: customers could dream to be part to the luxury universe (Corbellini & Saviolo, 2009; Silverstein, 2006), thanks to different products categories, such as accessories, glasses, perfumes and cosmetics, frequently inspired by non-affordable luxury. Customers make a sort of trading up: a zip between luxury products and more traditional ones is made (Gandini & Turinetti, 2009; Silverstein, 2006). Tod's, Gucci, Prada, Mercedes, Audi, are great examples of affordable luxury. Its distribution is not exclusive but selective: a wider range of products of different merchandise categories is sold in a consistent number of boutiques and location (especially accessories) to an affordable price, permitting to customers a belonging to the luxury universe (Danziger, 2005). In addition, the brand image is increased thanks to a limited number of opportunely selected mono-brand or multi-brand points of sale or specialised corners.

Many studies focused also on the typologies of sectors in which the luxury companies could operate (Chevalier & Mazzalovo, 2008; Corbellini & Saviolo, 2009; Giacosa, 2012; Jackson, 2004). They are the following: firstly, the core luxury sectors in which luxury companies traditionally focused their business model, such as fashion,

accessories, jewelers and watches, perfumes and cosmetics, and cars; secondly, the new luxury sectors, in which the companies expand their horizons of commercial opportunities to draw closer to the world of luxury, such as wines, spirits and other gourmet products, tourism and catering, furniture and household items.

A significant area of research focused on the innovation strategy in the luxury business, distinguishing product innovation from process innovation, as this distinction has important theoretical and practical implications for the innovation strategy (Adner & Levinthal, 2001; Bonanno & Haworth, 1998; Drejer, 2004; O'Donnell et al., 2002; Sood & Tellis, 2009; Utterback & Abernathy, 1975). Even if the distinction between products and processes is not always clear-cut, it emerged that the most innovative luxury companies combine innovative products and processes, achieving better performance (Roberts, 1988).

Product innovation in the luxury business focuses on a new product or on improvement of the intrinsic qualities of an existing product. This permits the consumer to perceive a benefit in terms of greater utility compared with the existing products (Giacosa, 2011, 2014; Re et al., 2014; Sabisch, 1991), remaining faithful to its brand identity (De Chernatony, 2001; Okonkwo, 2007; Ross & Harradine, 2011; Vaid, 2003). On the contrary, process innovation is focused on the introduction of a new operating method (in the production, commercial, administrative and managerial area), or improving an existing method, or generating a new way of using a production factor in order to increase production efficiency in terms of cost, quality and service (Giacosa, 2014).

The literature showed a lively interest in interpreting the role of the innovation strategy in the ambit of the corporate heritage, which is connected to the company reputation. Innovation must respect the codes of the corporate heritage with the purpose to conserve the high perception of the brand in the mind of the customers (Lipovetsky & Roux, 2003). In making innovation,

the company has to offer the clientele an intrinsic quality of excellence: the role of the human touch is relevant (Carcano, Corbetta & Minichilli, 2011), as it could require considerable effort in terms of quality and attention to detail, both in production and management of customer relations.

Several researchers studied particular aspects that drive the luxury sector: the effect of an economic sector on the development of the region and on the profitability of the companies, representing a business opportunity for luxury companies (Marks, 2011; Ritchie, 2009); the impact of the luxury business on other phenomenon, such as the tourism phenomenon, as many tourists are usual to organize their trips during the special price reduction (Giacosa, 2011; Saviolo & Testa, 2005).

This study sets out to fill a literature gap; in particular, to question whether or not, in the luxury sector, efficient innovation management represents a key factor for achieving a competitive advantage, and if innovation strategy should have an impact on the regional development of the company context.

MAIN FOCUS OF THE CHAPTER

Issues, Controversies, Problems

The focus of this chapter is to provide scientific evidence to luxury businesses for competing in a competitive global market thanks to an innovative strategy in terms of products and processes, and if innovation strategy should have an impact on the regional development of the company context. In particular, it analyses how a strategy of innovation in terms of products and processes can offer a competitive advantage to large and medium-sized luxury fashion companies, and can improve the development of the territory in which the company operates.

The research methodology has been carried out in the following phases:

- **First phase:** The examination of the existing literature about the luxury sector and the innovation strategy in the luxury sector permits to understand the role of the innovation strategy in increasing the company competitive advantage and regional development of the context;
- **Second phase:** As the objective was qualitative in nature, the treatise was conducted using qualitative approach. Thanks to the observation of multiple internationally-recognised luxury large and medium-sized companies, which are characterised by a highly innovative business approach, the goal is to identify the key drivers within the innovation strategy, with the purpose to differ considerations in terms of products and processes. This study is interested in solving the problem of understanding and identifying the benefits of innovation investments for the companies in the luxury sector. We tried to solve this problem in the following ways: firstly, considering the impact of the innovation strategy on the customers perception; secondly, considering its influence on the regional development of the country in which the companies operate.

Solutions and Recommendations

In the luxury sector, the market is competitive: the companies come into competition, even if they offer some diversified product categories, and

the customers have to make a choice in terms of satisfying their needs on a limited budget. In order to increase the competitiveness of the company's offering, the company may introduce an innovation strategy in terms of products and processes.

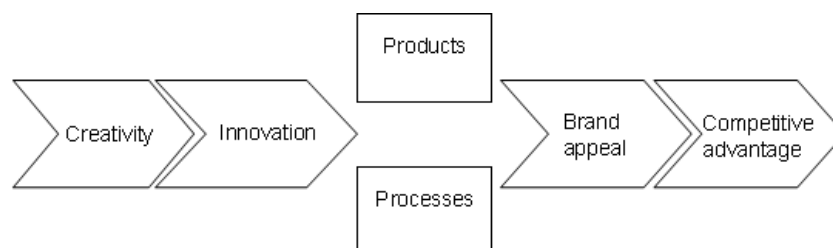
The extent of the innovation strategy depends on the degree of exclusivity of the brand luxury, as the customer perceives the social value resulting from the membership of a certain social class. In non-affordable luxuries, the purpose is to increase the intrinsic value of the products, creating some products that are an opportunity only for the elected few (Kapferer & Bastien, 2009; Giacosa, 2012); in affordable luxuries, the purpose is to increase the appeal of the brand, strengthening the customers loyalty: thanks to a strong creativity and innovation activity, in terms of products and processes innovation, the company could increase the brand appeal and, consequently, the competitive advantage (Figure 1).

This innovation may be perceived by the consumer as an incremental or radical innovation: it's an incremental innovation, when it creates a marginal or slight adaptation of existing solutions and products: this is the case of the recent revisiting of the fastening of the Chanel 2.55 bag. It's a radical innovation, when it consists of new products, not yet existing, that vary from other products of the company or of its competitors: Prada fabric trousers are an example. The more radical the innovation, the riskier the investments for the company.

The literature has shown a lively interest in interpreting the role of the innovation strategy

Figure 1. Key factors of the innovation strategy in the luxury business

Source: personal elaboration



in the ambit of the corporate heritage, which is connected to the company reputation. Innovation must respect the codes of the corporate heritage with the purpose to conserve the high perception of the brand in the mind of the customers (Lipovetsky & Roux, 2003). In making innovation, the company has to offer the clientele an intrinsic quality of excellence: the role of the human touch is relevant (Carcano, Corbetta & Minichilli, 2011), as it could require considerable effort in terms of quality and attention to detail, both in production and management of customer relations.

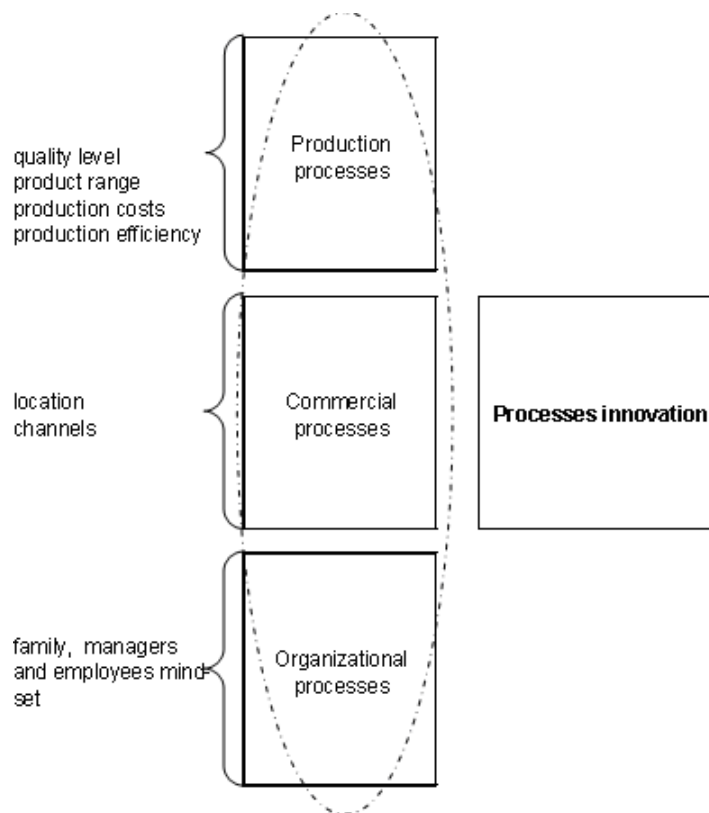
The distinction between products and processes innovation (Adner & Levinthal, 2001; Bonanno & Haworthb, 1998; Drejer, 2004; O'Donnell et al., 2002; Sood & Tellis, 2009; Utterback & Abernathy, 1975) may have some interesting implications in the luxury business. For both the innovation typologies, the company has to reflect

the needs of every customer (Moody, Kinderman & Sinha, 2010): indeed, the results of the innovation strategy becomes a tool with which a consumer satisfies his needs, also in terms of the membership of a given social class. The loyalty of the consumer may be increased thanks to a strong personalisation policy, less inclining the customers to abandon the brand.

This is possible if the innovation respects the brand identity: on one hand, the products has to be coherent with its brand identity, making it unique, real and authentic as soon as it is introduced onto the market; on the other, the products has to be in line with the permanent stylistic identity of the firm (i.e. the game of polo for Ralph Lauren) (Kapferer, 2008).

The process innovation is articulated in productive, organizational and commercial terms (Figure 2):

Figure 2. The process innovation articulation
Source: personal elaboration



- In productive terms: the company has to improve product quality, thanks to a stringent quality control (O'Donnell et al., 2002). The production innovation permits the reduction of unacceptable manufacturing defects, and improves the other intrinsic product characteristics. Thanks to a productive innovation, the product range may increase through new products and enhanced products, trying to better attract the consumer than the competitors. In this context, a strong connection between creative group and management is necessary in the long-term vision (Giacosa, 2011, 2014): on one hand, the creative group must have an entrepreneur's personal vision of the market, with the purpose to improve the company performances; on the other, the management has to achieve the company objectives in economic-financial terms, but respecting the consumers needs and preferences. Only striking a constant balance between maintaining a high symbolic capital (Bourdieu, 1977; Davis, 1983) and achieving a certain level of economic and financial performance, the company has to obtain a long-term survival (Bresciani et al., 2013; Tardivo, Bresciani & Fabris, 2011);
 - In organizational terms: the innovation has to improve the organizational structure, with the purpose to adapt the human resources to the products and processes innovation. The company success may be reached only thanks to a vigorous involvement of the human resources (managers, entrepreneurs, employees) in a new perspective of the innovation strategy and in their mind-set. The functional areas have to be involved, increasing the effectiveness and efficiency of its various activities, and improving the whole organizational structure;
 - In commercial terms: the innovation becomes a tool for attracting consumers. It involves the types, characteristics and locations of the boutiques, and the communication and promotion channels. The use of multi-sensorial instruments is necessary to attract the consumers, in order to better distinguish the products from their competitors (Binz et al., 2013; Kapferer, 2002; Poza, Alfred & Maheshwari, 1997; Ward, 1997). The commercial innovation has to force the brand myth, also thanks to new digital and innovative methods of communication, such as social media and web sites (Donaldson, 2011; Geerts & Veg-Sala, 2011; Ha & Perks, 2005; Kim & Ko, 2012; Okonkwo, 2009): for this purpose, new instruments have to valorise the characterising elements of the tradition, stimulating new desires.
- The innovation strategy is influenced by the creation of networks between the company and the external parties (Colombo et al., 2012; Dicken, 1994; Flatten, Greve & Brettel, 2011; Giacosa, 2012; Gulati, 1998; Gulati & Martin, 1999; Human & Provan, 1997; Gulati, Nitin & Akbar, 2000; Miles, Preece & Baetz, 1999; Nieto & Santamaría, 2010; Walker, Kogut & Shan, 1997). These networks represent a key source for the development and competitiveness of the involved companies and, consequently, for their contexts. In particular, commercial, financial, technological networks could improve the competitiveness of the company, creating an increased advantage against its competitors. Formal or informal collaborations between the companies and external parties are useful to exchange and compare several types of resources, creating a positive impact on the brand appeal and permitting the company to operate beyond their boundaries (Ghoshal & Bartlett, 1990; Garzella, 2000; Lorange & Roos, 1993; Liebeskind et al., 1996; Rosenkopf & Almeida, 2003; Zander

& Kogut, 1995). It means that a network promotes innovation, thanks to the sharing of resources. In addition, this collaboration increases attachment and loyalty to the firm, promoting a relationship of trust which favours procurement of the factors of production. Generally, luxury companies rely on long-term relations with external parties, with whom the resulting networks are based on relationships of trust and altruism (Figure 3).

Consequently, the networks typically produce a cluster (Crestanello & Tattara, 2011; Dunford, 2006; Molina-Morales & Martínez-Fernández, 2010; Vecchi, 2008), with which the companies activities make a territorial connotations, reaching a competitive advantage thanks to the sharing of resources, know-how and ability.

Innovation is characterized by a territorial connotation of its own: indeed, the participation to a cluster increases the possibility to innovate, as it has a positive influence on the productivity of the innovative efforts made, increasing the regional development. A mutual knowledge, a generation of trust between the parties, and a sharing of operational rules and utility make favour a close interaction between the companies, creating a

virtuous cluster-innovation circle (Granovetter, 1992; Hansen, 1999; Schilling and Izzo, 2013) (Figure 4).

The relevance of a company into a cluster increases thanks to a strong connection between the company and external parties of its regional environment. For this purpose, external communication is a relevant instrument, both in non-affordable and affordable luxuries: it improves the corporate image and increases the desirability of its brand, promoting the exclusivity of its universe also vis-à-vis the competitors and highlighting the absolute values of the brand (Arnold, 1992; Michel, 2000). After corroborating the exclusivity of the brand, the job of the communication message is to inform the consumer of the characteristics of the product and its functionality. The price, on the other hand, is only a detail, i.e. it is not an element used as a lever to persuade the consumer to make a purchase: the luxury goods customer is not attracted by the price of the offer but by its exclusivity, the experiential dimension vis-à-vis the brand and the status that goes with possession of the brand; in fact it is only in the luxury sector that a firm can create a product and establish the

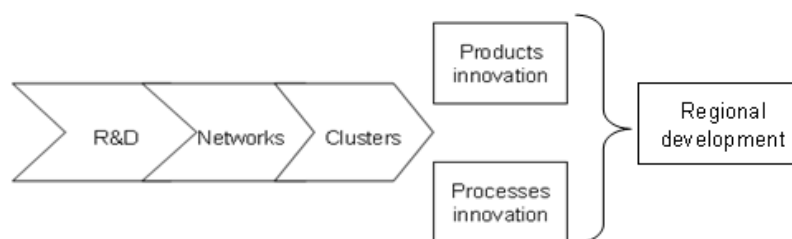
Figure 3. The role of the network with external parties in the innovation strategy

Source: personal elaboration



Figure 4. The sources of innovation in terms of products and processes, impacting the regional development

Source: personal elaboration



price afterwards. Consequently the role of communication in the luxury sector is not so much to sell but to convey a message of exclusivity and nurture a dream of belonging to the universe of that brand.

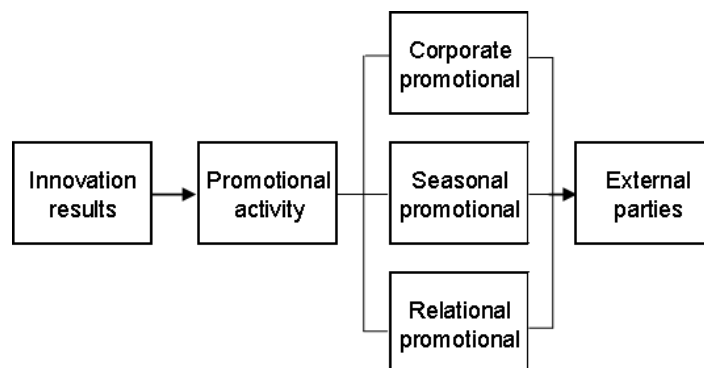
Since the non-affordable and affordable luxury firms have a high target, they also have a high budget in terms of innovation investments (very high in the case of non-affordable luxuries). In addition, the innovation investments may be very extensive in geographical terms, and slight adjustments are made in relation to the country and its customs and traditions. Sometimes, the innovation investment decisions are often economically irrational, but these financial commitments are justified by the benefit which the brand image obtains, in terms of both prestige and reputation; in other words, the capital invested in innovation targeted at highlighting the symbolic values of the brand produces further intangible capital, in the form of the brand image.

Innovation results may be communicated thanks to the promotional activities, thanks to which the corporate image may improved, creating new attention from external parties towards the company. Promotional activity follows the different lifecycle phases of the brand and is carried out with different intensity and characterisation according to the degree of affordability of the luxury; in particular, it is carried out in different ambits (Kapferer, 2004) (Figure 5):

1. Corporate promotion: the corporate tools are not connected with the product offering of one season in particular, but are designed to promote the firm as a whole and, consequently, its corporate brand (Balmer & Grey, 2003; Hatch & Schultz, 2001; Knox & Bickerton, 2003), extending its visibility, recognition and reputation vis-à-vis a number of stakeholders in that firm. When the consumers see Armani or Missoni advertising, they effectively widen their knowledge of the firm and, consequently, its business philosophy. Whenever the consumers enter a boutique, they become involved in the company project. Whenever they see a famous testimonial in an advertising campaign, they identify with that personality (if he/she is perceived as perfectly aligned with the brand values) and are pleased that they have the same fashion tastes. When the consumer is excited by the placement of a brand within a film, a television series or a programme, the brand visibility increases and, with it, the consumer's sense of belonging: the Chanel shoes in "The devil wears Prada" increased the success of that brand and the fame of that particular product. Promotion management is not confined to traditional advertising, which uses a series of visual tools such as photos, fashion shows, showrooms, famous testimonials and videoclips. The brands also

Figure 5. The sources of innovation in terms of products and processes

Source: personal elaboration



feature in a series of events and sponsorships, which represent a significant marketing investment for the firm, aimed at drawing the attention of the clientele to the universe of that brand and, consequently, increasing corporate visibility (Brakus, Schimtt & Zarantonello, 2009; Drengner, Gaus & Jahn, 2008; Whelan & Wohlfeil, 2006). The events are linked to particular moments in the brand lifecycle or to an occasion that has no direct bearing on the brand, while the sponsorships are not strictly connected with the marketing of that brand but support a given event that does not concern the firm. The sponsorship of the restoration of the Colosseum by Tod's Group or of the America's Cup by Prada, are examples of events and sponsorships that were talked about in the press, focusing attention on that brand and increasing the sales opportunities of the collections, which are often dedicated to that event or sponsorship (the collection dedicated to the Gucci brand's 90th birthday or the sports line Luna Rossa by Prada).

2. Seasonal promotion: it involves both non-affordable and affordable luxuries (obviously with different budgets), follows the dynamic aspect of the brand. It focuses on the seasonal nature of the collections which, while maintaining the brand identity, must be able to propose new products and create new needs in the mind of the consumer. This communication permits to improve the corporate image, creating new attention from external parties towards the company. Seasonal promotion uses many tools:
 - a. The fashion shows represent a crucial tool in seasonal promotion for a luxury brand: it involves a number of parties interested in that brand for various reasons (ownership, creative group, management, big buyers, journalists, opinion leaders, jet set personalities) in which the work of the creative team

is acclaimed, nurturing the dream connected with the brand and its inaccessibility and demonstrating its creative skills. The fashion show is instrumental to communication concerning the brand and its collections, and to reinvigorating the corporate image. This is achieved via the choice of the setting, music, casting, production and all elements functional to enhancing the legend of the brand in addition, obviously, to obtaining purchase orders from the buyers. The fashion show can take the form of a ritual, typically used by the Haute Couture fashion houses, with the emphasis on continuity of the stylistic identity of that brand from season to season and on consecration of the brand: during the ritual fashion shows of Chanel and Yves Saint Laurent, there are no excesses; a limited audience enjoys every slight variation of a well-known style. Alternatively, the fashion show can become a spectacle, renewed and reinterpreted at every collection, albeit within the limits of the main style elements of that brand: Vivienne Westwood's fashion shows illustrate her ability to continuously propose new creations, never failing to astound the consumer. When, on the other hand, the clothes are the main focus of the fashion show, it becomes an occasion for re-actualizing (Lipovetsky & Roux, 2003) the style of the past by introducing original elements into the previous collection, with attention focused more on the collection and less on its setting: Giorgio Armani does not transform his fashion shows into a spectacle but into an exaltation of the collection, reflecting the low-key elegance and sophistication of the previous collection but at the same time

adding creative originality. Lastly, the fashion show can be an opportunity to break with the past, both in the choice of the collection and the setting: when Tom Ford arrived at Gucci, his first fashion show was aggressive and sensual, breaking with the look previously based on a low-key elegant style; he used a location to help him achieve this goal;

- b. The media is a particularly suitable tool in seasonal fashion luxury, due to its ability to address a selected target, allow the publication of both journalistic-editorial and photographic services, and the publication of advertising messages. This tool is used by both non-affordable and affordable luxury firms (obviously with different budgets). Print represents the most widespread channel, attracting approximately 50% of the communication budget: dailies, weeklies and specialist journals are all valid communication channels, with different targets and costs. The catalogues dedicated to one or more collections are also printed communication tools, geared to a specific target when sent directly to the customer as a personal communication, often combined with invitations to take part in particular events. More and more often, the catalogues are digital as they are published on-line on the company website: this improves perception of the excellence of the collections and the materials, also making it easier to update the product offering as new models can be easily added. Apart from print, other types of media are also used by the luxury fashion firms: while television is not a preferred channel as its target is too dispersive, making it

more suitable for mass consumption goods, trade-fairs are widely used by luxury fashion as they provide a venue for the supply chain operators (yarn and fabric producers, stylists, garment makers, wholesalers, advertising agencies, machinery manufacturers, etc.) to meet and compare notes on the market dynamics and fashion trends. Advertising posters, with their strong visual impact and lower costs compared to newspaper and magazine advertising, are also a highly competitive communication tool;

3. Relational promotion: relational promotional activity, as opposed to seasonal promotional activity, is designed to promote relations between the firm and its external context. In particular, the firm has a series of channels available to it which are used in a manner directly proportional to the degree of non-affordable of the luxury. They promote the commercial offering as a whole, emphasising the brand, each one more or less suited to a specific target. These include:
 - a. Trunk shows, i.e. presentation of the new collections dedicated to a limited public of preferential customers, designed to increase the customers' perception of the privilege, very different from the hectic atmosphere of the fashion shows. Customers also have the chance to purchase the future collection in advance during shopping lunches (Okonkwo, 2007);
 - b. Digital channels also constitute a relational tool, demonstrating the innovative character of the firm in its distribution choices: the non-affordable luxury firms have also moved closer to the digital economy, despite their initial reluctance. In particular, the company website is a relational tool, as it repre-

sents a virtual shop window providing information and/or the opportunity to purchase (Guelfi & Giacosa, 2011; Kwon & Noh, 2010; Park & Lennon, 2009; Steinfield, Bouwman & Adelaar, 2002), generally operating alongside the traditional sales channels. The social networks, the new digital frontier, are also a great way to form faster relationships with customers and are being increasingly used by family businesses operating in the luxury sector, as they represent an effective and inexpensive tool for: informing a number of parties potentially or certainly interested in the firm's initiatives; interacting with a number of parties potentially interested in the life of firm (such as current or potential consumers, wholesalers, retailers, buyers, mass retailers); promoting the brand; drawing attention to the contents of the corporate website and promoting the digital reputation of the company. They consequently attract both the researchers and the practitioners to probe their effectiveness (Kietzmann et al., 2012; Kim et al., 2010; Pardo & Tajeddini, 2013).

FUTURE RESEARCH DIRECTIONS

It has been shown that the innovation strategy is an important instrument for companies to increase their competitive advantage and opportunities. The relevance of the innovation strategy is duly acknowledged in the economic and social framework and, consequently, in the literature and connected business research.

Business studies need to be increased in this field: in recent years, while the world crisis has declined in terms of consumption, the luxury sector has had the opposite tendency. In particular, researchers should analyze its ability to

attract resources from abroad for investing in the innovation strategy, with the aim of facing and overcoming the crisis situation.

In addition, business researches should encourage Italian politician to increase and facilitate investments in the luxury sector, which would be regarded as strategic for the country. Therefore, the protection of the "Made in" is functional for the regional development of territory.

Lastly, the role of the political and legislative environment has been analyzed in the creation of inputs for companies through the political and legislative systems. Indeed, the legislative system determines the atmosphere and the policies that impact on businesses as restrictions and opportunities: a series of the norms and regulations could protect the "Made in" in their production, representing a means for the regional development. This protection is not in contrast with the market globalization, which allows for wider production ranges, thereby creating new desires in the customer's mind thanks to a "novelty effect" (Giacosa, 2011, 2012).

CONCLUSION

The luxury sector is one of the most important to the economy of some countries, such as Italy and France, thanks to the human and marketing capabilities, and attitudes of their entrepreneurs.

Looking at the luxury sector creates new convenient business opportunities, both from analyzing the trends in individual consumption and by creating the conditions for relevant innovation investments from companies.

The innovation strategy is an instrument to bring economic benefits both for the company and its territory, suggesting a positive sensitivity of innovative products for the consumers. It has to reflect a set of factors, including size, availability of resources, attitude toward external change, and the typology and complexity of company activity.

The innovation strategy may focus on different elements, such as products and processes according to the framework distinction. Even if the distinction between products and processes is not always clear-cut, it has several implications. The products innovation has to respect both the brand identity, since brand affection in the luxury sector is very high, and the corporate heritage, in order to avoid confusion in the mind of the customers. Thanks to an increasing of the intrinsic quality of the products, the customers loyalty grows, improving the belonging to the brand universe.

The processes innovation contributes to increase the firm's creativity, its profitability and customer perception. Different typologies of innovation takes place, after a careful evaluation of the company capabilities and goals, in terms of operational, organizational and commercial way.

The connection between the company and its territory permits the creation of some networks between several parties, producing a regional development: they could improve the competitiveness of the company, creating an increased advantage against its competitors. When this connection is particularly strong, a cluster permits a sharing of resources, know-how and abilities. Therefore, innovation findings are characterized by a territorial connotation of their own: if the participation to a cluster increases the possibility to innovate, the productivity of the involved companies also improves.

The study has some theoretical and practical implications:

- The theoretical implications are related to the potential of the innovation strategy in the luxury fashion business. In terms of the theoretical implications, they are linked to the analysis of the connection between the innovation strategy in the luxury sector and the impact on the regional development, which represent a competitive advantage for the companies operating in this context;
- The practical implications are linked to the luxury sector, which represents an interesting area of opportunities for companies, and many typologies of sub-sectors are involved, such as the core luxury sectors (fashion, accessories, jewelry and watches, perfumes and cosmetics, and cars) and the new luxury sectors (wines, spirits and other gourmet products, tourism and catering, furniture and household items). In addition, some specific features of luxury businesses represent a competitive advantage as they better define the optimal innovation strategy.

We chose to adopt a qualitative method focusing on innovative approach of luxury companies. It could be useful to widen the boundaries of the research, comparing the potential and dynamics of the luxury sector with that of other economic sectors, which are representative of many countries, such as Italy and France. Additionally, it would be desirable to use suitable econometric models to simulate the impact of a series of exogenous and endogenous variables on the innovation strategy benefits.

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KEY TERMS AND DEFINITIONS

Company Context: It is the context in which a company operates, that affects the company’s input–output logic and impacts on the consumption choices of individuals.

Luxury Sector: It is made up of a number of luxury companies that share one or more of the following criteria: the process of acquiring the productive factors; the process of manufacturing goods and services; and the process of distributing them.

Process Innovation: It is focused on the introduction of a new operating method, or improving an existing method in the production, commercial, administrative and managerial area, or generating a new way of using a production factor in order to increase efficiency in terms of cost, quality and service.

Product Innovation: It focuses on a new product or on improvement of the intrinsic qualities of an existing product, in which the consumer perceives a benefit in terms of greater utility compared with the existing products.

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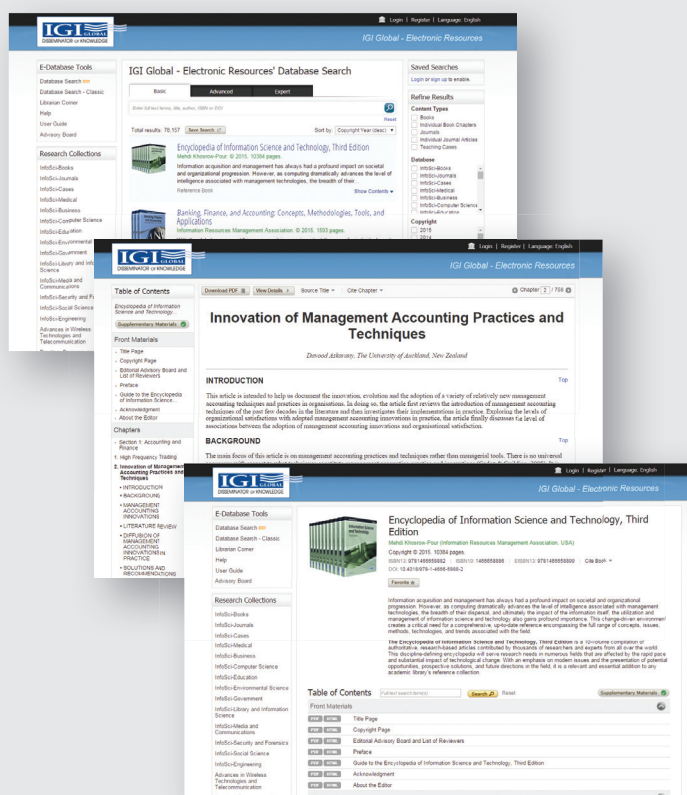
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